

RHODE ISLAND INFRASTRUCTURE BANK

MEETING OF THE BOARD OF DIRECTORS

PUBLIC SESSION

October 15, 2015

A meeting of the Board of Directors of the Rhode Island Infrastructure Bank ("RIIB") in public session was held on Thursday, October 15, 2015 in the conference room of the RIIB, 235 Promenade Street, Suite 119, Providence, Rhode Island pursuant to a duly posted public notice of the meeting and notice given to all the Directors. The meeting was called to order by the Chair of the Board, Merrill Sherman at approximately 3:00 p.m.

Directors present were: Chair Merrill Sherman, Josh Celeste, Treasurer Seth Magaziner, and Scott Lajoie.

Directors absent: Lisa Ferrara

Also present were: Michael P. Larocque, Deputy Director; Michael Baer, Senior Advisor; Anna Coelho Cortes, Drinking Water SRF Program Manager; Michael Pagliaro, Senior Accountant; Helen Terra, Road and Bridge Program Compliance Manager; Christopher Vitale and Stephanie Federico, Harrington & Vitale, RIIB Legal Counsel; Neal Pandozzi, Nixon Peabody, RIIB Bond Counsel; Maureen Gurghigian and Adam Krea, First Southwest Company, Bank Financial Advisor; Kelly Rogers, Treasurer's Office; and Jay Manning, Principal Engineer Rhode Island Department of Environmental Management.

Chair Sherman opened the meeting by declaring a quorum. The Chair addressed the first item on the Agenda: The review and approval of the October 5, 2015 Board Meeting Minutes.

Voted: A motion was made by Treasurer Magaziner, seconded by Josh Celeste to approve the minutes of the October 5, 2015 Board Meeting.

- Voting in favor of the foregoing: Chair Merrill Sherman, Treasurer Magaziner, Scott Lajoie and Josh Celeste.
- Voting against the foregoing: None

The Chair moved to Item #2 on the Agenda: Review and Consideration of Agency's July, 2015 Financial Statements.

The Chair turned the meeting over to Michael Larocque, Deputy Director to provide a summary of the Bank's July 2015 Financial Statements. The summary included the

Bank's Revenues, Expenses, Current Assets, Liabilities and Fund Balances as of July 31, 2015.

Voted: A motion was made by Treasurer Magaziner, seconded by Josh Celeste to approve the Bank's July 2015 Financial Statements.

- Voting in favor of the foregoing: Chair Merrill Sherman, Treasurer Magaziner, Scott Lajoie and Josh Celeste.
- Voting against the foregoing: None

The Chair introduced Item #3 on the Agenda: Review and consideration of Affordability Criteria for the Clean Water SRF.

Jay Manning, Principal Engineer, Rhode Island Department of Environmental Management presented and summarized as follows:

- Under 2014 Amendments to the Clean Water Act, Section 603(i)(2), states are required to adopt Affordability Criteria. Specifically, Affordability Criteria must take into consideration income, unemployment and population trends of potential borrowers.
- The Affordability Criteria for the Rhode Island Clean Water State Revolving Fund Program links Median Household Incomes (MHI) to User Rates. The Criteria also takes into account Unemployment Rates (Providence County is the only county above the state unemployment average) and Population (as a whole the state will see a slight rise of population over the next thirty (30) years and then a slight decline).
- The Affordability Criteria policy creates a rating system based upon income and unemployment, population projections and other data. Based upon this rating system a borrower could be eligible for principal forgiveness if they score nine (9) points or greater based upon hardship and/or could qualify for other additional subsidies. More weight is given to population due to the fact that in RI all other measurements are relatively the same in terms of Unemployment Rates and MHI (particularly in consideration of service areas vs. individual communities).
- Additional subsidies will be determined by the Bank and DEM on a borrower by borrower basis.
- The policy as drafted meets the federal requirements.

Voted: A motion was made by Treasurer Magaziner, seconded by Scott Lajoie to approve the Affordability Criteria.

- Voting in favor of the foregoing: Chair Merrill Sherman, Treasurer Magaziner, Scott Lajoie and Josh Celeste.
- Voting against the foregoing: None

The Chair moved to Item #4 on the Agenda: Review and consideration of a loan to the Town of Cumberland in an amount up to \$1,750,000 out of the Drinking Water SRF.

Adam Krea presented and summarized as follows:

- Town of Cumberland is requesting \$1.75 million from the SRF Drinking Water Program.
- Cumberland has a trust indenture in place which allows for the pledge of its water system revenues to the Bank.
- Cumberland operates its own water supply treatment, storage and distribution system. In addition, it purchases water from the Pawtucket Water Supply Board.
- The Town over the last couple of years has been making changes to improve the financials of the Water Enterprise Fund. Debts to the Town's General Fund have been being paid down. Debt should be expired by 2019. There is now more oversight and management between the Town and the Water Enterprise Fund.
- Two triggers built into water rates: water rates increase with an increase in the Town's tax rate and automatically increase if the Pawtucket Water Supply wholesale rate increases.
- The Town has been exploring opening some dormant wells in order to reduce the amount of water coming from the Pawtucket Water Supply purchases.
- Water Enterprise Fund has become much stronger over the last few years.
- Retirement plan of the Town does not affect the Water Enterprise Fund at all.
- Debt analysis: \$3.9 million outstanding at the end of 2014.
- No rate increases are anticipated to cover this loan.
- There is a debt service reserve requirement with this loan.
- The Town has changed to quarterly billing which has had a positive impact on the cash flow of the Water Enterprise Fund.
- Rating reports indicate that management changes have had a significant positive financial impact to the Water Enterprise Fund.
- First Southwest recommends making the loan to the Town of Cumberland.

Chair Sherman inquired as what other approvals are necessary and Anna Cortes indicated that the Town is currently working with DOH for their approval. Attorney Vitale represented that all approvals would need to be received, including engineering, prior to the Bank finalizing the loan to the Town and it is anticipated that the bond would be issued in mid-December.

Voted: A motion was made by Josh Celeste, seconded by Scott Lajoie to approve a loan to the Town of Cumberland in an amount up to \$1,750,000 out of the Drinking Water SRF.

- Voting in favor of the foregoing: Chair Merrill Sherman, Treasurer Magaziner, Scott Lajoie and Josh Celeste.

- Voting against the foregoing: None

The Chair progressed to Item #5 on the Agenda: Review and consideration of a loan to the City of Woonsocket in an amount up to \$5,000,000 out of the Drinking Water SRF.

Adam Krea presented and summarized as follows:

- The City of Woonsocket is requesting \$5,000,000 from the Drinking Water SRF and has a revenue pledge with the Bank.
- The Bank is working with the City of Woonsocket because the City has quite a bit of undrawn funds from past projects. The draw schedule that was provided for the current loan request doesn't have the first draw until October 2016. It may not be included in the current pool because there remains significant undrawn funds from the prior loan. Therefore, the Bank may move forward with a direct loan in the fall of 2016 to ensure that loan proceeds do not sit undrawn. Alternatively, the Bank may look at a bridge loan depending upon the City's timing and need.
- This loan would be for the redesign and replacement of the Drinking Water Plant for the City. It's a municipally owned system that serves Woonsocket; Bellingham, MA; Blackstone, MA; Cumberland RI; and North Smithfield, RI.
- City has disclosed two legal cases that could materially affect the financial operations of the city. The City is vigorously defending these matters.
- Basic retirement plans that are administered by the City do not have an impact the Water Enterprise Fund.
- A debt analysis was conducted by First Southwest.
- Revenue pledge with the Bank with debt service coverage requirements and additional bonds test and a funded debt service reserve fund.
- Sources of revenue: charges for water uses as well as a quarterly service charge and fire protection fee – apply to all communities that are supplied by the City of Woonsocket.
- Rate structure: water rates for Woonsocket are just a bit higher than the statewide average at \$441 vs. \$442 but survey is five years old that supplied this data.
- Debt service coverage will be adequate with the new proposed loan included.
- Doesn't have public rating but information that was shared with the bank shows that the Water Enterprise Fund is a higher investment grade than the city. (Wastewater credit rating is A). S&P letter to the City was positive.
- Water Fund has remained strong and has had balanced operations for the past five years.
- First Southwest recommends approving loan.

Voted: A motion was made by Treasurer Magaziner, seconded by Josh Celeste to approve a loan to the City of Woonsocket in an amount up to \$5,000,000 out of the Drinking Water SRF.

- Voting in favor of the foregoing: Chair Merrill Sherman, Treasurer Magaziner, Scott Lajoie and Josh Celeste.
- Voting against the foregoing: None

The Chair moved to Item #6 on the Agenda: Review and approval of the RIIB rules and regulations for the efficient buildings fund.

Attorney Vitale presented and summarized as follows:

- The Efficient Buildings Fund was created in FY '16 Budget and a working group made up of representatives of National Grid, RI Office of Energy Resource, RI Department of Business Regulations, Commerce RI, Treasury, RIIB, etc., have been meeting for several months to develop the program.
- RI OER will be rolling out procedures for creating criteria for a Project Priority List – this partnership is similar to other partnerships RIIB has with state agencies such as DEM and DOH.
- RI OER will create a project priority list to be sent to the Bank and depending upon the funds available, the Bank will issue loans for energy efficiency and renewable energy projects. OER will review and rank all projects and create a list of priorities.
- Credit will be either general obligation or appropriation backed pledge from the communities – a community would have an initial audit performed to determine cost savings and a debt service schedule would be set up where the savings that are realized from the work would be the principal source of funds to pay back the lease, backed by an appropriation pledge. Will require Council approval
- Projects will require Investment Grade Audits: and as a result it is being proposed to have a two step approval process for the funds:
 - 1) Board would give municipality/entity initial approval and then community would conduct a higher level audit.
 - 2) Once audits are returned they would be provided to OER for review and then the final approval would come back before the board.

After a brief discussion by the board including details of the investment grade audit, flexibility of policies and ability for municipalities to realize savings:

Voted: A motion was made by Scott Lajoie, seconded by Treasurer to approve rules and regulations for the Efficient Buildings Fund.

- Voting in favor of the foregoing: Chair Merrill Sherman, Treasurer Magaziner, Scott Lajoie and Josh Celeste.

- Voting against the foregoing: None

The Chair moved to Item #7 on the Agenda: RIIB program development update.

Chair Sherman provided a brief update including that the Bank has received great responses on all RFP's to date and interviews are being conducted, the Brownfield and EBF programs are coming along and the website updates are under development. No action was required for this Agenda Item.

The Chair moved to Item #8 on the Agenda: Approval for travel and expenses for the CIFA Conference and EPA SRF Workgroup scheduled for November 1, 2015 – November 4, 2015 in Tampa, Florida. The Chair explained that the Bank sends a representative every year and though it is yet to be determined who will attend this year approval for the travel and expenses is necessary to finalize plans.

Voted: A motion was made by Josh Celeste, seconded by Scott Lajoie to approve the travel expenses for the CIFA Conference and EPA SRF Workgroup.

- Voting in favor of the foregoing: Chair Merrill Sherman, Treasurer Magaziner, Scott Lajoie and Josh Celeste.
- Voting against the foregoing: None

The Chair moved to Item #9 on the Agenda: First Southwest Executive Summary of the Water Pollution Control Refunding and Subordinate Refunding Revenue Bonds Series 2015B/2015C.

Maureen Gurghigian from First Southwest presented on the bond issue that just closed. The refinancing of the 2005 and 2006 bonds were very successful. Bonds were priced on September 9th. Bonds were rated AAA, and the executive summary provided to the Board included a list of borrowers that were included in the refinance. The summary also compared pricing on this issue to other issues that priced on the market around the same time and also issues of the bank from a year ago, two years ago, etc. No action was required for this Agenda Item.

The Chair moved to Item #10: Expenses

Mike Larocque provided a brief summary of the Bank's expenses that included a total of five expenses.

Voted: A motion was made by Scott Lajoie, seconded by Treasurer Magaziner to approve the expenses

- Voting in favor of the foregoing: Chair Merrill Sherman, Treasurer Magaziner, Scott Lajoie and Josh Celeste.
- Voting against the foregoing: None

The Chair moved to Item #11 on the Agenda: Convene into Executive Session pursuant to RIGL 42-26-5(a)(1) – Personnel (Such persons have been notified in writing and advised that they may require that such discussion be held at an open meeting.)

Voted: Motion pursuant to RIGL 42-46-5(a)(1), that this public body convene in executive session to discuss personnel. The individuals have been notified in writing that this public body intends to convene in executive session in order to discuss his/her job performance and he/she has declined to have this discussion take place in open session was made by Treasurer Magaziner, seconded by Josh Celeste.

- A roll call vote was conducted with the following results:

Chair Sherman – Aye
 Treasurer Magaziner – Aye
 Scott Lajoie – Aye
 Josh Celeste – Aye
 Lisa Ferrara - Absent

At approximately 4:25 p.m. the Board came out of Executive Session.

Voted: Motion to resume Open Session was made by Treasurer Magaziner, seconded by Scott Lajoie.

- A roll call vote was conducted with the following results:

Chair Sherman – Aye
 Treasurer Magaziner – Aye
 Scott Lajoie – Aye
 Josh Celeste – Aye
 Lisa Ferrara – Absent

Chair Sherman announced that two votes were taken during Executive Session and announced the following:

- The Board voted to accept and sign a Separation Agreement with William Sequino.
- The Board voted to hire Joseph Dewhirst as the Interim Executive Director.

Chair Sherman referred to Item #12 on the agenda being the next regularly scheduled meeting date, November 16, 2015.

Voted A motion was made to adjourn the meeting by Treasurer Magaziner, seconded by Scott L

- Voting in favor of the foregoing: Chair Merrill Sherman, Treasurer Magaziner, Scott Lajoie and Josh Celeste.
- Voting against the foregoing: None

Meeting Adjourned at approximately 4:30 p.m.

RHODE ISLAND INFRASTRUCTURE BANK

MEETING OF THE BOARD OF DIRECTORS

PUBLIC SESSION

November 6, 2015

A meeting of the Board of Directors of the Rhode Island Infrastructure Bank ("RIIB") in public session was held on Friday, November 6, 2015 in the conference room of the RIIB, 235 Promenade Street, Suite 119, Providence, Rhode Island pursuant to a duly posted public notice of the meeting and notice given to all the Directors. The meeting was called to order by the Chair of the Board, Merrill Sherman at approximately 12:30 p.m.

Directors present were: Chair Merrill Sherman, Josh Celeste, Scott Lajoie, Lisa Ferrara and Kelly Rogers, Treasurer Seth Magaziner's Designee.

Directors absent were: none.

Also present were, Joseph Dewhirst, Interim Executive Director; Michael P. Larocque, Deputy Director; Michael Baer, Senior Advisor; Anna Coelho Cortes, Drinking Water SRF Program Manager; Michael Pagliaro, Senior Accountant; Robin Hedges, Clean Water SRF Program Manager; Helen Terra, Road and Bridge Program Compliance Manager; Christopher Vitale and Stephanie Federico, Harrington & Vitale, RIIB Legal Counsel; Neal Pandozzi, Nixon Peabody, RIIB Bond Counsel; Maureen Gurchigian, First Southwest Company, Bank Financial Advisor; Gerard Cayer and Geri Bennett of Cayer Caccia, Bank Auditor.

Chair Sherman opened the meeting declaring a quorum. The Chair addressed the first item on the Agenda: Presentation and consideration of Infrastructure Bank FY15 Audit. The Chair turned the meeting over to Gerry Cayer and Geri Bennett of Cayer Caccia. Ms. Bennett highlighted various points of the audit and the Comprehensive Annual Financial Report including:

- This is the second year the Bank is submitting its financial statements for the Certificate of Achievement for Excellence in Financial Reporting. The Bank was awarded the Certificate for its fiscal year 2014 financial statements and expects that the Bank will receive the award again for 2015.
- Audit opinion is unqualified – no departures from generally accepted accounting principles noted.
- There were no instances of non-compliance with Bank operating procedures noted.
- Based on quarterly reviews, interim accounting procedures are being performed timely and accurately.
- Ms. Bennett recognized the Bank staff for their assistance and cooperative nature in compiling information.

Voted: A motion was made by Scott Lajoie, seconded by Kelly Rogers that the audit be accepted as presented.

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie, Josh Celeste and Lisa Ferrara
- Voting against the foregoing: None

The Chair moved to Item #2 of the Agenda: Review and consideration of a Board Resolution authorizing funding of up to \$250,000 for Energy Audits in connection with the Efficient Buildings Fund. Interim Executive Director Dewhirst explained that RIIB is moving forward with the Efficient Buildings Fund and that one step in identifying eligible projects is requiring potential borrowers to conduct an energy audit. The Director further explained that there are ARRA funds available to pay for energy audits, and that the U.S. Department of Energy had given the State an indication that the State may use these ARRA funds to pay for the audits. The Bank funds would only be needed in the event that neither National Grid nor ARRA funds were available.

Director Dewhirst requested that the Board approve the resolution to allocate up to \$250,000 for energy audits for eligible projects that are not covered by National Grid and/or ARRA as well as to act as bridge financing while the ARRA funding is secured.

Voted: A motion was made by Kelly Rogers, seconded by Scott Lajoie to approve the Resolution as presented.

Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie, Josh Celeste and Lisa Ferrara

- Voting against the foregoing: None.

Kelly Rogers noted that the audits are critical to the pipeline and expediting process will help to get money out of the door for Efficient Buildings Fund projects.

Scott Lajoie inquired as to how many audits would be funded and Attorney Vitale represented that it depends upon how many buildings are incorporated in each audit.

The Chair moved to Item #3 noting that the next regularly scheduled meeting date is November 17, 2015. No action was necessary.

Voted: A motion was made by Josh Celeste, seconded by Lisa Ferrara to adjourn the meeting.

- Voting in favor of the foregoing: Chair Merrill Sherman, Kelly Rogers, Scott Lajoie, Josh Celeste and Lisa Ferrara.
- Voting against the foregoing: None

Meeting Adjourned at approximately 1:00 p.m.